The amount due to Producer will be computed and paid quarterly (every 3 months) according to an equal quarterly payment projected to provide a total annual base payment of _____$54,000_____ . These payments shall commence on the 15th day of the month following the quarterly anniversary of the contract date, but not sooner than ___November 15___ , 19_98_ , and shall be made on the same day of each successive quarter for a total of _24_ payments.

B. Incentive payments: In addition to the base payments, LOL will pay Producer incentives calculated and paid according to the following formula:

a) Feed Efficiency:

If Feed Efficiency (FE) for a Lot is less than the Base Feed Efficiency (see schedule below) Producer will be paid a FE incentive based on the following formula:

((([Base Feed Efficiency]-[FE]) x $.025)+ $.00375) x [pounds gained]

Average Market Weight	Base Feed Efficiency Meal	Base Feed Efficiency Pellets
<220	2.99	2.81
220-229	3.01	2.83
230-239	3.04	2.86
240-260	3.10	2.91
261-270	3.16	2.97
271-280	3.20	3.01
>280	3.21	3.02

Feed efficiency is defined as the amount of feed used by the Lot since placement divided by the saleable weight gain achieved by the Lot.

Saleable weight gain will include all weight sold for which value has been received. Weight of the hogs shall be determined on the buyer's scales.

Example:

Actual FE = 3.00; 250 lb. average weight marketed; 190,000 pounds gained; 960 Head finished; meal feed

3